

ORIGINAL

SECOND FIVE-YEAR IMPLEMENTATION
PLAN FOR THE
GRANTVILLE REDEVELOPMENT PROJECT
AREA

For the Period

May 2010 – May 2015

Approved Pursuant to Agency
Resolution No. R-04493

Date of Final Passage: March 18, 2010

Document No. 04493



DOCUMENT NO. D-04493/R-04493

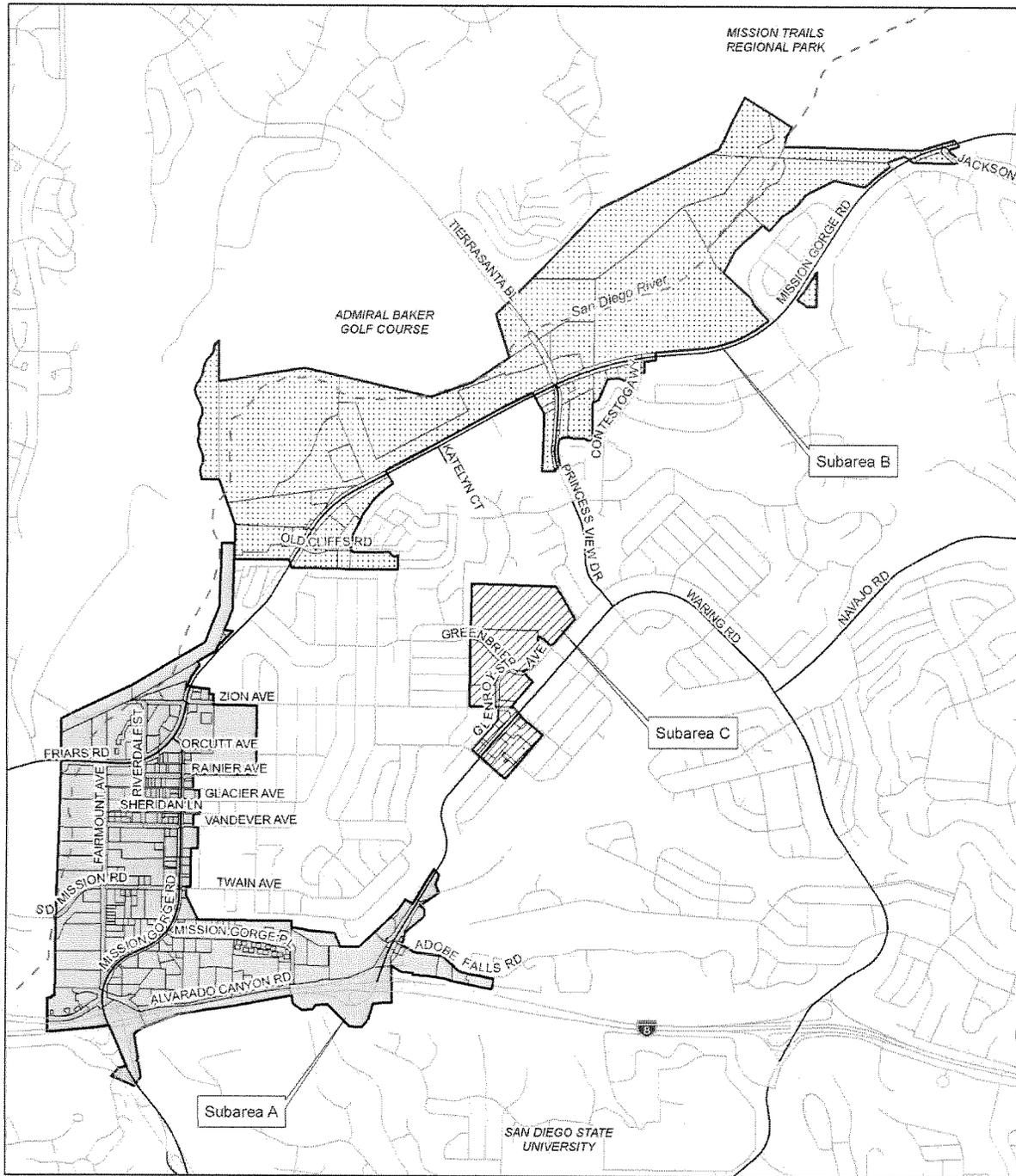
Page 1 of 25

FILED MAY 13 2010
OFFICE OF THE REDEVELOPMENT AGENCY
SAN DIEGO, CALIF.

TABLE OF CONTENTS
May 2010 – May 2015 Implementation Plan
Grantville Redevelopment Project Area

- i. Map of Project Area
 - ii. Project Area’s Profile
- I. Introduction
- A. Redevelopment Division
 - B. Grantville Project Area
 - C. Implementation Plans
- II. Description of the Project Area’s Blighting Conditions
- III. Project Area’s Goals and Objectives
- IV. Proposed Projects and Contribution to Blight Alleviation for the Five-Year Period
- A. Proposed Projects and Programs
 - B. Projected Revenues / Proposed Expenditures
- V. Explanation of how the Goals and Objectives, Projects and Expenditures will Alleviate and/or Eliminate Blighting Conditions
- VI. Explanation of how the Goals and Objectives, Projects and Expenditures will Implement the Project Area’s Housing Requirements
- VII. Summary
- VIII. Exhibits
- Table A – Housing Expenditures and Proportionality

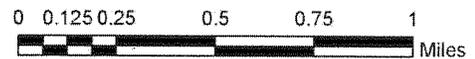
MAP OF PROJECT AREA



Grantville Redevelopment Project Area



Sources: SanGIS, 2004 and BRG Consulting, Inc., 2005



PROJECT AREA PROFILE
Grantville Project Area

Land Area: Approximately 990 Acres

Boundary: The approximate project area boundaries are Interstate 8 on the south, Waring Road on the East, Princess View Drive on the north, and the San Diego River on the west.

Land Use:

Commercial	Industrial
Institutional / Utilities	Open Space / Parks
Vacant	Public Right-of-Way
Transportation	Entertainment

Date Adopted: May 17, 2005

First Implementation Plan May 17, 2005

Second Implementation Plan May 17, 2010

Time Limit for Redevelopment Plan: May 17, 2035

Time Limit for use of Eminent Domain: May 17, 2017

Time Limit for Incurring Debt: May 17, 2025

Time Limit for Repayment of Debt: May 17, 2050

GRANTVILLE

Grantville is a community poised for significant redevelopment and quality of life improvements over the next several years but has significant challenges based on the existence of several blighting conditions. Most notably, Grantville is comprised of a patchwork of small and incompatible uses including commercial and industrial facilities that were developed prior to current zoning regulations and modern market demands. These factors have led to a proliferation of substandard and unsafe uses including salvage and several outdoor operations near and adjacent to the San Diego River and the Alvarado Creek – both of which are subject to significant and periodic flooding. Further, commercial development has also pushed into the developed industrial areas resulting in an unsightly, inefficient, and congested mixture of commercial, office, and industrial uses along Mission Gorge Road and adjacent streets.

This overcrowding of industrial and commercial uses within Grantville has restricted development and reduced revenues from both uses as a result of the on-going miss-match between industrial and neighborhood serving uses. The Project Area is subsequently viewed as a second tier location that limits returns on investment and prohibits many property owners from developing and investing in capital improvements.

Commercial uses in the Project Area are further impaired by the small and poorly configured lots particularly along Mission Gorge Road. These aging and sometimes obsolete facilities, many of which do not meet current building codes, contribute greatly to the Project Area's physical and economic blighting conditions.

With few exceptions, an older and visually unattractive area does not invite shoppers or retailers, and the size of the parcels and the age of buildings does not appeal to local and national enterprises. Consequently, developers find it more economically sensible to locate stores where successful retail centers are already established. Further, to meet the demand for commercial space in the Project Area, many enterprises must contend with inadequate parking, traffic congestion, storage, and other facilities that place Grantville at a significant disadvantage with increasing competition from outside of the Project Area.

Grantville's current infrastructure also does not adequately support the intensified commercial uses along Mission Gorge and Friars Road including traffic and transportation, pedestrian access, sewer, water, and adequate storm drainage systems. Mission Gorge and Friars Road further serve the residential communities of Allied Gardens and San Carlos which contribute significantly to the traffic volumes and congestion in Grantville, especially at the intersection of Interstate 8 and Mission Gorge Road. Taken as a whole, the above factors create significant impediments for future development and investment.

Grantville also presents specific challenges in light of a weak economy and a difficult business and housing environment. As a result, the significant goals of the Grantville Redevelopment Plan are to eliminate and prevent blighting conditions, maintain and enhance economic growth and the related employment opportunities, explore mixed use development, and expand community recreation. Additionally, improving public infrastructure, reducing flooding and traffic congestion, creating attractive streetscapes, addressing urban runoff, and optimizing natural amenities such as Mission Trails Park and the San Diego River are important focus areas.

The desirability of Grantville is derived by many factors, but most notably, its central San Diego location and attractive physical setting. Conveniently accessed by Interstates 8 and 15, Friars Road and Mission Gorge Boulevard, Grantville is the axis of significant transportation hubs and corridors. Consequently, Grantville is in close proximity to several population destinations such as San Diego Qualcomm Stadium, Mission Valley Shopping Center, San Diego State University and the expansive Mission Trails Park and the San Diego River.

The goal of this document is to create a road map to build upon and maintain an economically viable Grantville community with diverse residential opportunities, businesses, and improved recreation, infrastructure, and transportation facilities for residents and visitors alike. If adopted, this Second Five-Year Implementation Plan establishes specific goals and activities for implementing and advancing the various projects, programs and redevelopment activities for the Grantville Redevelopment Project.

I. INTRODUCTION

This document contains the Second Five-Year Implementation Plan (the “Second Implementation Plan” or “Implementation Plan”) for the Grantville Project Area (the “Project Area”) for the period from May 17, 2010 through May 17, 2015 to be administered by the Redevelopment Division of the City of San Diego Department of City Planning & Community Investment. This Second Implementation Plan is also prepared in accordance with California Health and Safety Code Section 33490 and related sections. These sections outline the purpose and requirements of the Second Implementation Plan as follows:

- Agencies are required to adopt a five-year implementation plan concurrently with the adoption of all new project areas approved after December 1994 and every 5 years thereafter.
- Each Plan must state the goals and objectives for the Project Area, identify specific programs and expenditures over the next five years, and describe how these goals and objectives, programs, and expenditures will alleviate blight.
- Each Plan must identify approaches to increase, improve and preserve the supply of low and moderate income housing. The Plan must further incorporate a plan to meet mandated housing production, affordability, and targeted income requirements.
- Each Plan may be adopted only after a noticed public hearing has been conducted. The adoption of the Plan does not constitute a “project” within the meaning of the California Environmental Quality Act.

A. Redevelopment Division

The Redevelopment Agency of the City of San Diego (the “Agency”) was established by the City Council in 1958. The City Council is the Board of Directors of the Agency. Project implementation and administration for the Agency are provided by three separate and distinct organizations: Centre City Development Corporation, Southeastern Economic Development Corporation, and the Redevelopment Division of the City’s City Planning & Community Investment Department. The Redevelopment Division performs general administration for the

Agency, coordinates budget and reporting requirements, and maintains and the Agency's meeting docket and official records. The Division also administers eleven (11) project areas which, in addition to Grantville, include City Heights, Barrio Logan, College Community, College Grove, Crossroads, Linda Vista, Naval Training Center, North Bay, North Park, and San Ysidro.

B. Grantville Project Area

The Redevelopment Plan for the Grantville Redevelopment Project (the "Redevelopment Plan") was adopted on May 17, 2005 and encompasses approximately 990 acres within San Diego County and is governed by the Navajo Community Plan. The Grantville Project Area follows a northeasterly path along Mission Gorge from Interstate 8 towards Mission Trails Park and is generally bounded by Interstate 8 on the south, Waring Road on the east, Princess View Drive on the north, and the San Diego River on the West.

The Redevelopment Plan was adopted to eliminate blighting conditions within the Project Area by facilitating new construction and promoting mixed-use development, revitalizing and upgrading commercial and industrial uses, and improving public facilities and transportation within the surrounding areas. To accomplish these goals, the Redevelopment Plan divided the Project Area into 3 Sub-Areas (Sub Areas A, B, and C) each with its own unique characteristics and redevelopment issues and concerns.

Shortly after the adoption of the Redevelopment Plan, a lawsuit was filed by the County of San Diego (the "County") and a private party against the City of San Diego (the "City") challenging the validity of the Redevelopment Plan (the "2005 Litigation"). Consequently, the specific redevelopment activities and programs established by the Redevelopment Plan for alleviating blighting conditions, including specific project expenditures, were placed on hold pending the outcome of the 2005 Litigation.

In 2008, the parties reached a settlement agreement with respect to the 2005 Litigation, and beginning in Fiscal Year 2008-2009, the Agency began receiving tax increment revenue (both past and current). Pursuant to the settlement agreement, the County, City, and Agency entered into certain agreements (the "Agreements") addressing specific concerns relating to the expenditure of tax increment monies generated within the Project Area. Specific Agreements are discussed further in Section IV (B) on page 15 of this report.

C. Implementation Plans

An implementation plan is a requirement of California Redevelopment Law ("CRL") that covers each successive five-year period that follows the adoption of a Redevelopment Plan. The purpose of an implementation plan, as set forth in Section 33490 of the CRL, is to set forth the specific goals and objectives for a project area and to identify specific redevelopment activities and/or programs that are anticipated to be implemented and/or completed to assist in the alleviation of blighting conditions.

The First Five-Year Implementation Plan for Grantville (the "First Implementation Plan") was approved by the Agency and City Council (RR-19380-1) concurrently with the adoption of the Redevelopment Plan and covered the five-year period from May 17, 2005 to May 17, 2010. There have been no amendments to the First Implementation Plan for the Project Area.

A Mid-Year Progress Report for the Redevelopment Plan was adopted by the Agency on July 28, 2009 (D-04442 / R-04442). The purpose of the Mid-Year Progress Report was to conduct a public hearing and to hear testimony of all interested parties for the purposes of reviewing the redevelopment plan and the corresponding implementation plan for the Project Area. The Mid-Year Progress Report also provided an opportunity to evaluate the progress of the redevelopment project pursuant to California Health and Safety Code Section 33490(c).

This Second Implementation Plan is prepared similarly pursuant to Section 33490 of the CRL for the second five-year period from May 17, 2010 to May 17, 2015 and outlines the specific redevelopment activities to be implemented during the five-year period. Additionally, this Second Implementation Plan identifies the projected expenditures associated with the specific redevelopment activities and describes how each activity will alleviate blight and how the goals, objectives, projects, and expenditures will implement the CRL's low and moderate income housing set-aside and housing production requirements.

II. DESCRIPTION OF THE PROJECT AREA'S BLIGHTING CONDITIONS

The Grantville Project Area continues to exhibit conditions and characteristics of physical and economic blight, depressed economic conditions, and deficient public improvements as defined in the CRL (CA Health and Safety Code Sections 33030-33039). Specific blighting conditions in the Project Area include:

- Lot size and configuration problems that prevent private redevelopment efforts from putting the lots into useful services;
- Adjacent or nearby uses that are incompatible and prevent the economic development of those parcels or other portions of the project area;
- Deficient and outdated commercial buildings and grounds resulting in physical deterioration, structural damage, and poorly functioning utilities;
- Lack of necessary commercial facilities and neighborhood supporting businesses to enhance economic growth particularly along the Mission Gorge Road corridor;
- Vacancies and marginal uses of commercial properties and structures that do not meet current building and zoning codes;
- Lack of community serving recreational and public facility assets and amenities such as parks, schools, community centers, libraries, senior centers, and other community-serving facilities; and
- Deteriorating or inadequate infrastructure facilities, streets, sidewalks, parking, lighting, and adequate storm drainage resulting in various inefficiencies and widespread impacts on development, traffic congestion, flooding, and public health and safety concerns.

III. PROJECT AREA'S GOALS AND OBJECTIVES

The Grantville Redevelopment Plan delineates the Agency's redevelopment goals and objectives for the Project Area that are listed below and were employed to formulate the overall strategy for this Second Implementation Plan. These goals and objectives will serve as a guide for the Agency's activities during the next five years:

- Complete Mission Gorge Road and I-8 Interchange improvements including additional traffic and turning lanes to improve traffic circulation while reducing congestion and signal wait times;
- Update and complete the Grantville Master Plan including land use analysis, traffic studies, economic analysis, and environmental impact report;
- Improve infrastructure and maintenance along Alvarado Creek to reduce potential flooding in the Grantville business district to include improving water flow and channel capacity and removal of restrictive, non-native, vegetation;
- Seek and promote appropriate business relocations to Grantville especially where empty commercial spaces are located;
- Promote and advance significant projects within the Grantville Project Area including the development of the MTS Trolley site and adjacent privately owned lands, the Superior Ready Mix and Shawnee development sites along Mission Gorge Road, and commercial improvements along Warring Road;
- Generally work to eliminate and prevent the spread of blight and deterioration as well as advance redevelopment in the Project Area;
- Improve the flow of traffic wherever possible through the development of a circulation network that will provide for less congested access to and along the Mission Gorge corridor and the Grantville community including the commercial and industrial areas without adversely affecting surrounding residential communities;
- Improve public infrastructure in, and of the benefit to, the Project Area including the preparation of a comprehensive Public Facilities Financing Plan to address short and long term infrastructure improvements; widen, reduce or otherwise modify existing roadways or create additional streets, walkways, and paths for proper pedestrian, bicycle, and/or vehicular circulation; and, undergrounding electrical distribution lines and telephone lines along major streets;
- Alleviate the shortage of commercial and industrial parking wherever possible while limiting the negative impacts on surrounding residential neighborhoods;
- Create an attractive and pleasant environment within the Project Area through streetscape enhancements, revitalization of incompatible uses and obsolete buildings, and other viable measures;

- Enhance economic growth within the Project Area by continuing ongoing efforts to revitalize commercial and industrial areas particularly along Mission Gorge Road;
- Expand employment opportunities in the Project Area for adjacent residents by encouraging the development of professional enterprises and improving accessibility of employment centers within and outside the Project Area;
- Explore opportunities within the Project Area for development of mixed-use residential and commercial uses particularly transit-oriented development that takes advantage of nearby multi-modal transit systems;
- Focus on the retention and expansion of neighborhood supporting businesses in the Project Area and the continued viability of the commercial and industrial districts in the face of growing competition from contemporary developments;
- Ensure that the appearance and character of industrial uses are compatible with the character of the surrounding commercial and residential uses;
- Address urban runoff and industrial pollution issues to minimize negative impacts on sensitive environmental resources and to optimize the environmental assets of the Project Area such as the San Diego River and the Mission Trails Regional Park;
- Expand community serving recreational opportunities in the Project Area through rehabilitation and expansion of existing park and recreation facilities as well as adding park and recreational facilities and integrating recreation activities along the San Diego River particularly for residents in and near the Project Area;
- Balance development and conservation along the San Diego River with current and future development plans and related municipal and private entity activities;
- Improve and/or develop public facility assets and amenities such as schools, community centers, libraries, senior centers, and other community-serving facilities; and
- Protect the heritage of the Project Area by appropriate preservation of historical sites.

IV. PROPOSED PROJECTS AND CONTRIBUTION TO BLIGHT ALLEVIATION FOR THE FIVE-YEAR PERIOD.

A. Priority Projects and Programs

PROPOSED PROJECTS		
Project / Program	Description	Contribution to Blight Removal
<p>Traffic and circulation congestion relief</p>	<p>Prepare a circulation network that reduces traffic congestion and improves traffic flow along the Mission Gorge corridor without affecting surrounding residential communities.</p> <p>Widen, reduce, or otherwise modify existing roadways or create additional streets, walkways, and paths for proper pedestrian, bicycle and/or vehicular circulation.</p> <p>Facilitate traffic and pedestrian enhancements that adequately support the adopted community plan updates.</p> <p>Increase lane capacity and improve freeway access at Mission Gorge Road and the Interstate-8 interchange.</p>	<p>Improves traffic flow and freeway access at Interstate 8 and reduces congestion along the Mission Gorge Road corridor.</p> <p>Creates appropriate vehicular, pedestrian, and bicycle circulation and promotes appropriate multi-modal transit systems within the Project Area.</p> <p>Creates an attractive and functional transportation system consistent with long-range goals.</p> <p>Reduces traffic congestion, and improves traffic flow along Mission Gorge Road</p>

PROPOSED PROJECTS

Project / Program	Description	Contribution to Blight Removal
<p>Community Plan Update and Redevelopment Plan Implementation</p>	<p>Update existing Navajo Community Plan association with on-going economic, environmental, and traffic analysis.</p> <p>Enhance economic growth within the Project Area by continuing on-going efforts to revitalize commercial and industrial areas.</p> <p>Expand employment opportunities within the Project Area for residents by encouraging the enhancement and development of professional enterprises and improving accessibility of employment centers within and outside the Project Area.</p> <p>Explore opportunities for mixed-use residential development and commercial uses particularly transit oriented development.</p>	<p>Promotes redevelopment in accordance with the General Plan, and reduces conflicting, incompatible, and patchwork land uses.</p> <p>Enhances economic growth and expands employment opportunities and community serving recreational opportunities.</p>
<p>Improve Public Infrastructure to Alleviate Flooding</p>	<p>Maintain and improve Alvarado Creek channel and install additional public improvements and flood prevention measures to prevent flooding in the Project Area such as improved storm drains and other water management facilities.</p> <p>Prepare a Public Facilities Financing Plan to address short and long term infrastructure improvements.</p>	<p>Improves safety and protects commercial and industrial facilities from flood damage; addresses urban runoff and reduces industrial pollution while minimizing negative impacts on sensitive environmental resources; optimizes environmental assets within the Project Area.</p>

PROPOSED PROJECTS

Project / Program	Description	Contribution to Blight Removal
Improve Housing	Implement Housing Enhancement Loan Program ("HELP").	Provides for the preservation and stabilization of existing affordable housing within and surrounding the Project Area.
Renovation and Repair of existing structures and streetscapes as consistent with the updated community plan and project implementation	Improve existing structures where necessary for overall redevelopment and consistency with project implementation and land use planning.	<p>Creates an attractive and pleasant environment within the Project Area through streetscape and building enhancements.</p> <p>Revitalizes commercial and industrial buildings and ensures that the appearance and character of industrial uses are compatible with the character of surrounding commercial and residential areas.</p> <p>Protects the heritage of the Project Area through the preservation of historical sites.</p>
Affordable Housing Credit and Allocation Transfer Cooperation Agreement	An agreement between the County, City and Agency providing that a portion of the new affordable housing units construction in whole or in part with Housing Funds shall be used to satisfy the County's Regional Housing Needs Allocation (the "RHNA").	Provides for the construction of new affordable housing units in Grantville.

PROPOSED PROJECTS

Project / Program	Description	Contribution to Blight Removal
<p>Joint Projects Cooperation Agreement</p>	<p>An agreement between the Agency and County providing funds for a portion of the construction costs of joint projects (public facilities) for the elimination of blighting conditions.</p>	<p>Construction of joints projects for the elimination of blighting conditions and that are of benefit to the County and the Project Area.</p>
<p>Transit Line Improvements Cooperation Agreement</p>	<p>An agreement between the City and Agency to fund a portion of the cost of construction for transit line improvements on “C” Street between Kettner and Park Boulevards.</p>	<p>Improves safety and more efficient and direct transportation between Grantville and Downtown San Diego while increasing the utilization of the Grantville Transit Station and related facilities located within Grantville by reducing traffic congestion and expediting transit oriented development.</p>

B. PROJECTED REVENUES / PROPOSED EXPENDITURES

The development projects and proposals identified in this Second Implementation Plan are dependent upon the receipt of sufficient tax increment which is currently the Agency's major funding source. Tax increment at the time of this writing can only be projected as the Agency receives tax increment payments from the County in eight (8) separate payments beginning in November and ending in June of the following year. The largest of these payments occurs in April. Further, the amount of tax increment determines whether or not the Agency will make scheduled payments pursuant to the Cooperation Agreements described on Page 16 below that may be deferred if insufficient threshold tax increment is received beginning in Fiscal Year 2011. Tax increment receipts and payments according to the Cooperation Agreements will continue to be monitored by Agency staff.

The First Five-Year Implementation Plan further noted the possibility of issuing tax allocation bonds based on tax increment receipts; however, tax increment receipts are not yet sufficient to support such a bond issue. At the time when the Project Area can support a bond issue, the bond proceeds would be secured by Grantville tax increment revenue. The Agency is also seeking other sources of funding such as local, state, and federal monies for the Project Area and working to attract qualified property owners, developers, and commercial enterprises to finance projects and programs.

The projected Project Area expenditures over the next five years are anticipated to include those costs for the implementation of the Redevelopment Plan. The costs for implementation include expenditures for the proposed projects and programs, agency project administration, payments to the taxing agencies, debt obligations, the Agreements (discussed herein), and the implementation of affordable housing projects.

Table 1 on the following page represents the five-year tax increment revenue projection for Fiscal Years 2010/2011 through 2014/2015. Table 1 also represents the prospective allocation of tax increment revenue to taxing agencies, housing and non-housing projects, and programs over the five year period.

In order to prepare Table 1, the Agency must estimate the Project Area's increase in assessed valuation above the base-line property tax assessment. The Agency anticipates the Project Area's assessed valuation to increase approximately one-percent (1%) annually over the first three (3) years of the Implementation Plan and two-percent (2%) over the remaining two (2) years of the Implementation Plan. Based on this assumption, the Agency projects receiving approximately **\$4,115,736** in net tax increment over the five year period as calculated below.

In FY 2011, the Agency expects to receive approximately **\$1,002,486** in gross tax increment from the Project Area based on a 1% growth of the 2010 budgeted amount of \$992,560. From this amount, the Agency is required to allocate funds to the taxing agencies in the form of taxing entity payments as well as pay County administrative fees for collecting tax increment from the Project Area. The resulting amount is the net tax increment that is available for new projects and programs.

According to California Redevelopment Law, a minimum of twenty percent (20%) of the annual gross tax increment reflected in Table 1 is required to be set-aside in the Low and Moderate

Income Housing Fund for the development of housing affordable to very low, low, and moderate income households. Over the next five years, the Agency anticipates receiving approximately **\$1,028,934** in housing funds. A breakdown of the net tax increment into housing and non-housing funds is also reflected in Table 1 on the follow page.

It should be noted that Table 1 reflects revenue estimates, and that actual funds available could either increase or decrease depending on the level of actual growth in the assessed valuation of the Project Area.

TABLE 1

PROJECTED REVENUES FOR IMPLEMENTATION					
GRANTVILLE PROJECT AREA (1) (2)					
Fiscal Year	Gross Tax Increment	Statutory Payments to Taxing Entities	Net Tax Increment		
			Non-Housing Funds	Housing Funds	Total
2011	\$1,002,486	\$200,497	\$601,491	\$200,497	\$801,988
2012	\$1,012,510	\$202,502	\$607,506	\$202,502	\$810,008
2013	\$1,022,636	\$204,527	\$613,581	\$204,527	\$818,108
2014	\$1,043,088	\$208,618	\$625,853	\$208,618	\$834,471
2015	\$1,063,950	\$212,790	\$638,370	\$212,790	\$851,160
Totals	\$5,144,670	\$1,028,934	\$3,086,802	\$1,028,934	\$4,115,736

(1) - Potential Educational Revenue Augmentation Fund (the “ERAF”) and the Supplemental Educational Revenue Augmentation Fund (the “SERAF”) payments are not reflected. Payments to ERAF/SERAF are dependent upon the resolution of pending litigation with the State of California.

(2) - County administrative fee payments are not reflected.

Project Areas created after the enactment of AB1290 are required to make statutory pass-through payments to taxing entities equal to twenty-five (25%) of the net (after housing set-aside) tax increment received by the Project Area (the percentage increases in later years after the term of this Implementation Plan in accordance with statute.) The taxing entities share these payments based on a percentage of their respective overall tax receipts.

The County, Agency, and City have entered into three (3) Agreements (the “Agreements”) to implement the Grantville Redevelopment Project which affect the use of tax increment by the Project Area. The Agreements, approved and adopted by the County, City, and Agency outline the obligations of the parties over the period of the Redevelopment Plan.

The Agreements between the three (3) parties are as follows:

1. Affordable Housing Credit and Allocation Transfer Agreement – An agreement between the County, City and Agency (commencing with the 2007-2008 fiscal year) providing that a portion of the dwelling units constructed with adjusted Agency housing set-aside funds shall be used to offset the County’s Regional Housing Needs Allocation (the “RHNA”) up to \$9,800,000 in the form of a County Housing Set-Aside Credit (the “Housing Credit”)
[Consistent with Affordable Housing Compliance Plan]
2. Joint Projects Cooperation Agreement – An agreement between the Agency and County (commencing in the 2011-2012 Fiscal Year) providing the County funds in the amount of \$7,840,000 to fund a portion of the cost of the construction of joint project improvements to benefit both the County and the Project Area.
[Priority: Traffic and circulation congestion relief and/or Improve infrastructure to alleviate flooding problems]
3. Transit Line Cooperation Agreement – An agreement between the City and the Agency (commencing in the 2011-2012 Fiscal Year) providing the City an amount of \$31,360,000 to fund a portion of the cost of the construction of transit line improvements on “C” Street between Kettner and Park Boulevards so as to provide a more direct, safer and efficient method of transit between the Grantville Project Area and Downtown San Diego. The Agreement also seeks to encourage more use of the Transit Station within the Grantville Redevelopment Project and thus expediting transit oriented redevelopment in and around the Grantville Transit Station while relieving traffic and circulation congestion. Subsequent to the execution of the Transit Line Cooperation Agreement, the California Legislature enacted revisions to Section 33445 of the Health and Safety Code which, among other things, increased restrictions on a redevelopment agency’s ability to fund all or part of the value of the land for, and the cost of the installation and construction of, any building facility, structure, or other improvement that is publicly owned and located outside of a redevelopment project area.
[Priority: Traffic and circulation congestion relief]

The Agency is subject to making payments to the County and the City under the Joint Projects and Transit Line Agreements beginning in the sixth (6th) year of the Grantville Redevelopment Plan according to the “Schedule of Annual Payments” attached to each Agreement. Payments required under the Agreements begin in Fiscal Year 2011-12 with installments paid over thirty-nine (39) years. No payments from the Agency are due in the first (1st) half-year of the Implementation Plan.

The Agency also has the right to defer these payments in any year the amount of gross tax increment collected, allocated to, and received by the Agency for the Project Area is, on a cumulative basis, less than the cumulative projected gross tax increment for the same year as also reflected in the Schedule of Annual Payments attached to each Agreement. In the event such payments are not deferred, payments would be made pursuant to the Agreements with the impact

of such payments over the term of this Implementation Plan reflected in Table 2 on the follow page. Payments pursuant to the Agreements would reduce the amount of the Non-Housing Funds projected. Changes to the assessed valuation in the Project Area will require staff to formulate a recommendation to the Agency upon actual tax increment received.

A lawsuit is also pending against the Agency and the City challenging the validity of the Joint Projects and Transit Line Agreements by the Grantville Action Group (“GAG”). The lawsuit alleges that payments pursuant to the Cooperation Agreements are not for the full benefit of the Project Area. The parties to the lawsuit are preparing for a trial in the Summer of 2010.

TABLE 2

Fiscal Year	Non-Housing Funds	Cooperation Agreement Payments		Net Non-Housing Funds
		Joint Projects	Transit Line	
2011	\$601,491	\$0	\$0	\$601,491
2012	\$607,506	\$32,417	\$129,666	\$445,423
2013	\$613,581	\$38,152	\$152,610	\$422,819
2014	\$625,853	\$44,233	\$176,930	\$404,690
2015	\$638,370	\$50,677	\$202,709	\$384,984
Totals	\$3,086,802	\$165,479	\$661,915	\$2,259,407

The Affordable Housing Credit and Allocation Transfer Agreement (the “Affordable Housing Agreement”) requires that a certain portion of the new affordable housing units constructed in whole or in part, with up to \$9,800,000 of the housing fund revenue, shall be used to satisfy the County’s share of the Regional Housing Needs Allocation (the “RHNA”) established by the San Diego Association of Governments (“SANDAG”). All of the units constructed will still count toward meeting the Agency’s affordable housing requirements, and the dwelling units constructed with the Housing Fund shall be used to satisfy the Affordable Housing Agreement. The “Housing Fund” means twenty percent (20%) of the gross tax increment allocated to the Low- and Moderate- Income Housing Fund pursuant to the requirements of Health and Safety Code Section 33334.2.

For the Fiscal Year 2008-2009, the Housing Credit to the County was \$18,848. Pursuant to the Affordable Housing Agreement, these monies, when used to construct, rehabilitate, or preserve affordable housing units, shall provide a credit or satisfaction against the County’s RHNA for the appropriate reporting period.

V. EXPLANATION OF HOW THE GOALS AND OBJECTIVES, PROJECTS AND EXPENDITURES WILL ALLEVIATE and/or ELIMINATE BLIGHTING CONDITIONS

Without redevelopment tools and tax increment revenue made available by the adoption of the Redevelopment Plan, the Project Area would continue to deteriorate, and blighting conditions would increase. The on-going project goals and objectives will help ensure continued progress toward the alleviation of existing blighting conditions and facilitate continued re-investment in the Project Area and surrounding community. To date, collaborative efforts are in place between the Agency, SDSU, and the Urban Corps to clean and maintain the Alvarado Creek channel to mitigate current flooding which has been effective during the most recent 2009-2010 winter season. Further, the Agency is working closely with Cal Trans to add an additional traffic lane to southbound Mission Gorge Road at the Interstate 8 in order to reduce traffic congestion. Last, an updated community plan for portions of the Project Area is necessary to advance the economic vitality, development, and installation of new infrastructure and related improvements. Addressing traffic congestion, updating the community plan, and addressing flooding are significant priorities for eliminating blighting conditions in the Project Area over the next five (5) years.

Specifically, the goals and objectives and current and proposed projects will eliminate blighting conditions in the Project Area in the following ways:

- Modifying and improving street right-of-ways and circulation, lane re-striping, improving turning lanes, increasing freeway access, and addressing signal timing will eliminate blight by improving traffic flow and circulation while reducing congestion and promoting pedestrian and bicycle circulation within the Project Area;
- Updating community plans, land uses, and preparing new environmental documents will eliminate blighting conditions by promoting redevelopment in accordance with the City General Plan and provide a consistent land use plan for economically viable development, increased economic growth, and the revitalization of commercial and industrial areas;
- New and improved infrastructure will eliminate blight by preventing flooding and improving public safety and thereby increasing the economic viability of the Project Area's business district and advancing new commercial and mixed-use development;
- Renovation and repair of existing structures will address blighting conditions by creating an attractive and pleasant environment and streetscapes within the Project Area; and,
- Coordinating the community plan updates with the San Diego River Master Plan will promote new development adjacent to the river while improving existing development and preserving open space with increased recreation and preservation of the San Diego River as a community amenity.

VI. EXPLANATION OF HOW THE GOALS AND OBJECTIVES, PROJECTS AND EXPENDITURES WILL IMPLEMENT THE PROJECT AREA'S HOUSING REQUIRMENTS (Housing Compliance Plan)

California's Community Redevelopment Law requires that not less than twenty percent (20%) of the gross tax increment generated by the Project Area shall be used for the purpose of increasing the community's supply of very low, low, and moderate income housing. Additionally, affordable dwelling units must remain affordable for not less than the period of the land use controls established in the project plan (currently 45 years for for-sale units and 55 years for for-rent units). The on-going goal for the Project Area is to develop housing in compliance with current legislation and available Project Area resources.

A. Comprehensive Affordable Housing Strategy

The Redevelopment Agency, comprised of the City's Redevelopment Division, Centre City Development Corporation ("CCDC"), and the Southeastern Economic Development Corporation ("SEDC") has formed a collaborative with the San Diego Housing Commission to accelerate and encourage new affordable housing development citywide. This collaborative is referred to as the "Affordable Housing Collaborative". In January 2003, leveraging Redevelopment set-aside funds, the Affordable Housing Collaborative issued a Notice of Funding Availability (NOFA) announcing the availability of \$55 million of secured assets to provide gap financing for very low, low, and moderate income housing. The Agency has committed the entirety of this \$55 million to eleven projects in various project areas, resulting in 722 affordable units and 1055 affordable bedrooms.

Although the initial funding of the NOFA has been exhausted, affordable housing development proposals requesting local subsidies in the City of San Diego continue to be submitted through different channels to the Redevelopment Agency and/or the San Diego Housing Commission. The Affordable Housing Collaborative continues to meet to review projects seeking funding under the Affordable Housing Opportunity Fund and to ensure affordable housing goals are being met by the Agency and the Housing Commission.

In June 2006, the Redevelopment Division obtained four bank lines of credit in an aggregate amount of \$34 million that was dedicated to an affordable housing fund (the "Opportunity Fund") to assist in the creation and rehabilitation of affordable housing for low and moderate income households and to leverage other affordable housing financial resources. Proposed projects in the Project Area may request funding assistance from the Opportunity Fund.

To provide consistency among the three branches of the Redevelopment Agency (Redevelopment Division, CCDC and SEDC), and to streamline the negotiation and approval process for affordable housing projects funded by the Agency, the Affordable Housing Collaborative developed the "Expenditure of Low and Moderate Income Housing Fund Policy and Transaction Guidelines" to be utilized in reviewing affordable housing development proposals. These Policy and Transaction Guidelines were approved by the Agency Board on May 20, 2008 via resolution R-04282 and are reviewed on a periodic basis to reflect changing policies and economic conditions.

B. Housing Assistance Programs

The Grantville Housing Enhancement Loan Program (“HELP”) provides forgivable loans to qualified owner occupants within the Grantville Redevelopment Project Area and in the neighborhoods located in census tracts 96.02, 96.04, and 97.03 (collectively referred to as the “Grantville HELP Area”). The Redevelopment Agency has created a housing enhancement loan program focusing on these communities using Grantville Redevelopment Project Area tax increment housing set-aside monies. The forgivable housing enhancement loans are provided up to a maximum of \$20,000 for property improvements including \$5,000 for energy and water conserving landscape improvements. The program is also available to owner-occupants of properties whose gross household income is no greater than 100% of the Area Median Income.

C. Projects and Expenditures to be made during the Next Five Years

The Project Area’s Low and Moderate Income Housing Fund (Housing Fund) has approximately \$ 400,000 as of the beginning of FY 2010. Annual Housing Funds projected to be generated by the Project Area over the next five years are shown in the following table:

Fiscal Year	Housing
2011	\$200,497
2012	\$202,502
2013	\$204,527
2014	\$208,618
2015	\$212,790
TOTAL	\$1,028,934

Although the Agency has no currently approved agreements with private entities to assist with housing construction in Grantville, if private entity proposals for residential construction are made during this second five-year period, the Agency can assist such development in order to achieve deed-restricted affordable housing. Residential construction within the Grantville Redevelopment Project Area will be a function of market conditions, conversion of industrial properties to mixed-use properties, revisions to the community plan to allow for mixed-use and residential development, and property owner and developer interest in constructing mixed-use and residential projects.

All units developed with Agency assistance from the Housing Fund will be restricted to very low, low, and moderate income households.

1. Projected Housing Units to be Developed in the Next Five Years

California Community Redevelopment Law requires that the Agency prepare an estimate of the number of new, rehabilitated, and price-restricted dwelling units to be developed in the Project Area. These numbers also include the inclusionary housing requirements: units for very low,

low, and moderate income households. The inclusionary housing requirements state that fifteen percent (15%) of all new or rehabilitated dwelling units developed by public or private activities, other than the Agency, in a redevelopment project area shall be affordable to low and moderate income households. Forty percent (40%) of the fifteen percent (15%) inclusionary housing units shall be at affordability levels for very low income households.

The Project Area currently does not include land zoned for residential development. Unless and until there is a community plan amendment, there are no planned public or private housing units anticipated to be constructed in the Project Area until the completion of the community plan update. As a result, there is currently no housing production requirement.

2. Agency-Developed Units

As required by Section 33490 of the California Community Redevelopment Law, the Implementation Plan must contain an estimate of the number of Agency-developed residential units, if any, to be developed during the next five years pursuant to Section 33413(b)(1) including units for very low, low, and moderate income households. Section 33413(b)(1) also states that for units developed by the Agency, thirty percent (30%) of all new and rehabilitated dwelling units shall be affordable for low and moderate Income households, and not less than fifty percent (50%) of the 30% affordable units shall be affordable to very low income households. The Agency does not anticipate developing any residential units during the next five years.

D. Housing Unit Estimates for the Next Ten Years and the Life of the Plan

The Project Area does not currently include land zoned for residential development. A Community Plan update is underway that evaluates three (3) potential land use density alternatives developed through a Charrette process in early 2009. Each alternative designates significant residential land uses along with other mixed-use products. The alternatives provide estimates of four-thousand (4,000) to eight-thousand (8,000) units that could be developed in Sub-Area A over the life of the Redevelopment Plan.

The actual unit counts within the Project Area will be determined by the selected land use alternative, the development market, and future development proposals within the Project Area yet to be determined. Unless and until there is a community plan update, there are no public or private housing unit requirements in the Project Area. The Grantville Stakeholders Committee is responsible for providing input for the Community Plan update and selection process.

As a result, there is no current housing production requirement.

E. Very Low, Low, and Moderate Income Units Developed in the Project Area

The Project Area does not include land zoned for residential development. Unless and until there is a community plan amendment, there are no public or private housing units anticipated to be constructed in the Project Area. As a result, there is currently no housing production requirement.

F. Replacement of Dwelling Units Destroyed or Removed

Due to the absence of any known or existing residential units in the Project Area, the Agency does not anticipate engaging in any activities that could result in the destruction of residential units occupied by lower income families, and therefore, the requirement set forth in CRL Section 33413(b)(4) does not apply. If the destruction of any currently unknown residential units is required, the Agency will provide suitable locations for replacement housing in compliance with the requirements of CRL Section 33413.

G. Compliance with Housing Element and Regional Housing Share Requirements

The City of San Diego's regional share of housing need for persons of very low, low, and moderate income is published in the Housing Element of the City's General Plan. According to the City's FY 2005-2010 Housing Element, the proportional share of housing need in San Diego is 23% very low income (10,645 units city-wide), 18% low income (8,090 units city-wide), 19% moderate income (8,645 units city-wide) and 40% above moderate income (18,362 units city-wide).

Section 33334.4(a) of the California Community Redevelopment law requires that the Agency expend Low and Moderate Income Housing funds to assist in the development of housing for persons of very low, low, and moderate income in at least the same proportion as the total number of housing units needed for each of those income groups within the community as each of those needs have been identified in the most recent determination pursuant to Government Code Section 65584 (i.e., the regional share of the statewide housing need). Using this definition and a denominator based upon the need for affordable units (total of 27,380 units), the threshold for the expenditure of low and moderate income housing funds is; 39% very-low income (10,645 units), 29% low income (8,090 units), and 32% moderate income (8,645 units).

In addition, Section 33334.4(b) of the California Community Redevelopment Law states, "Each agency shall expend, over the duration of each redevelopment implementation plan, the monies in the Low and Moderate Income Housing Fund to assist housing that is available to all persons regardless of age in at least the same proportion as the number of low-income households with a member under the age of 65 years bears to the total number of low-income households of the community as reported in the most recent census of the United States Census Bureau."

According to the 2000 census, there are 450,691 households in the City of San Diego. Of those households, 81,124 are "Senior Head of Household". Of those, "Senior Head of Household", 39,751 (49%) are low and moderate income. The total number of low and moderate income households in San Diego is 181,572. Therefore, the ratio of low and moderate income senior households to the total number of low and moderate income households is 21.89% (39,751/181,572).

The estimate of the number of new dwelling units that could be developed in the Project Area over the life of the Redevelopment plan is based on the current Environmental Impact Report ("EIR") for the Project Area dated May 3, 2005 and the existing community plan. According to the current EIR, a total of 3010 new units may potentially be developed within the Project Area;

however, a community plan update for the Project Area is in process, and the actual number of potential units to be development will increase based on anticipated higher density land use designations and increased Floor Area Ratios (“FAR’s) within the Project Area.

The Agency expends Housing Funds community-wide in the proportions cited above to ensure compliance with California Redevelopment Law. The table on the following page provides the proposed percentages of housing funds the Agency anticipates spending community-wide from the Project Area Housing Fund for housing to match the City’s proportional share of housing need for the next five years. The minimum percentages are the least amount the Agency may spend community-wide, and the maximum percentages are the most the Agency may spend for the categories of income and age.

Household Type	No. Of Households	Percentage of Housing Funds to be Expended	
Income			
Very Low Income	10,645	39%	Minimum
Low Income	8,090	29%	Minimum
Moderate Income	8,645	32%	Maximum
TOTAL	27,380	100%	
Age			
LM Households Under Age 65	141,821	78%	Minimum
LM Household Over Age 65	39,751	22%	Maximum
TOTAL	181,572	100%	

VII. SUMMARY

This Second Five-Year Implementation Plan for the Grantville Redevelopment Project Area is designed as a tool and policy document to outline the City of San Diego Redevelopment Agency’s goals and objectives for redevelopment over the next five (5) years. This Plan should be viewed as a policy and program document that includes potential projects and estimated expenditures proposed to be made to improve or alleviate blighting conditions.

It is anticipated that the Agency will take the lead on some projects such as community plan updates, the renovation of structures, infrastructure improvements, development assistance and coordination while partnering with private and public property owners, businesses, community organizations, non-profit housing developers, public agencies, and community stakeholders in the pursuit of other redevelopment goals and objectives. The Plan is one of several requirements aimed at ensuring that redevelopment activities contribute to the elimination of blight.

VIII. EXHIBITS TABLE A

TABLE A

HOUSING EXPENDITURES AND PROPORTIONALITY
 Previous 5-Year Period
 City of San Diego Redevelopment Agency – Grantville

	\$ by Household Type			Income Category (# of units)			
	No Age Restriction	Seniors		Very Low	Low	Moderate	Total Restricted
FY 10	\$ -	\$ -					0
FY 09	\$ -	\$ -					0
FY 08	\$ -	\$ -					0
FY 07	\$ -	\$ -					0
FY 06	\$ -	\$ -					0
Subtotal - 5 year period							
Units	0	0		0	0	0	0
\$	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
% of \$ (TO-DATE)	0%	0%		0%	0%	0%	
% of Units (TO-DATE)	0%	0%		0%	0%	0%	
% (TARGET)	78%	22%		39%	29%	32%	
Since Inception - FY 05							
Units	0	0		0	0	0	0
\$	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
Project Area Total							
Units	0	0		0	0	0	0
\$	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
% of \$ (TO-DATE)	0%	0%		0%	0%	0%	
% of Units (TO-DATE)	0%	0%		0%	0%	0%	
% (TARGET)	78%	22%		39%	29%	32%	
Redevelopment Agency Total (through FY 09)							
Units	3707	1130		3384	766	687	4837
\$	\$ 145,457,564	\$ 25,039,043		\$ 119,280,653	\$ 27,000,290	\$ 24,215,664	\$ 170,496,607
% of \$ (TO-DATE)	85%	15%		70%	16%	14%	
% of Units (TO-DATE)	77%	23%		70%	16%	14%	
% (TARGET)	78%	22%		39%	29%	32%	